

Message Text

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SUBJ: SIGNALS BY MORALES BERMUDEZ REGIME CONCERNING
RELATIONS WITH U.S.

REF: STATE 214275, LIMA 7322

SUMMARY: MORALES BERMUDEZ REGIME HAS ALREADY CONVEYED SEVERAL CLEAR SIGNALS OF ITS INTENTION TO IMPORVE RELATIONS WITH USG AND U.S. COMPANIES WITH OPERATIONS IN PERU. EMBASSY HAS ALREADY HEARD FROM SEVERAL U.S. COMPAINES WITH MAJOR INTERESTS IN PERU THAT THEY HAVE RECEIVED ASSURANCES AND/OR HAVE MADE PROGRESS ON PENDING NEGOTIATIONS. RESOLUTION OF THE ONE MAJOR OUTSTANDING PROBLEM, THE MARCONA DESPUTE, WAS PROMISED BY PRESIDENT MORALES BERMUDEZ DURING SEPTEMBER 4 PROTOCOLARY CALL BY AMBASSADOR AND OTHER CHIEFS OF DIPLOMATIC MISSIONS. ASSUMING RESOLUTION OF MARCONA ISSUES, WASHINGTON AGENCIES MAY WISH TO CONSIDER SEVERAL PENDING DECISIONS ON OPERATING PROGRAMS. THE PRESIDENT AND HIS SENIOR ADVISORS ARE UNDOUBTEDLY GOING TO EXPECT A FORTHCOMING ATTITUDE ON PART OF USG AS AND WHEN MARCONA DISPUTE IS RESOLVED. END SUMMARY.

1. SINCE BECOMING PRESIDENT ON AUGUST 29 MORALES BERMUDEZ HAS CONVEYED SEVERAL UNMISTAKABLE SIGNALS OF HIS AND HIS GOVERNMENT'S INTENTION TO COLLABORATE MORE CLOSEDLY WITH USG AND U.S. COMPANIES.

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A. ONE OF FIRST INDICATIONS WAS REASSURANCE AND EXTRAORDINARY COURTESIES EXTENDED TO FRANK ARCHIBALD OF SPCC WEEKEND OF AUGUST 29-SEPT 1. MORALES BERMUDEZ, NEW MINISTER OF MINES LA VERA, AND OTHER SENIOR OFFICERS ALL ASSURED ARCHIBALD THAT GOP WANTS TO WORK COOPERATIVELY WITH SPCC ON ITS EXISTING COPPER OPERATIONS, AND CLEARLY INDICATED THAT NEW REGIME HAS NO DESIGNS ON OR PLANS FOR TAKEOVER OF SPCC PROPERTIES. IT MAY BE THAT GOP WILL RENEW DISCUSSIONS FOR JOINT VENTURE WITH SPCC OF QUELLAVECO COPPER DEPOSIT AS WELL.

B. OCCIDENTAL REPRESENTATIVES INFORMED AMBASSADOR SEPTEMBER 9 THAT MUCH TO THEIR SURPRISE PETROPERU OFFICIALS HAVE AGREED WITH COMPANY'S LAST PROPOSAL REGARDING THROUGH-PUT CHARGES FOR OXY'S USE OF THE NORTHERN PERUVIAN PIPELINE. THIS NEGOTIATION HAD BEEN DRAGGING ALONG FOR SEVERAL MONTHS, BUT IN RECENT DAYS PETROPERU PRESIDENT FERNANDEZ BACA INFORMED THE COMPANY THAT GOP HAS NOW ACCEPTED OXY'S PROPOSAL.

C. ALSO ON SEPTEMBER 9 FONMIN OFFICIAL TELEPHONED EMBASSY TO ARRANGE FOR FORMAL DELIVERY OF GOP NOTE CONCLUDING TEXTILE NEGOTIATIONS WHICH HAD JUST BEEN SIGNED BY FOREIGN MINISTER DE LA FLOR. THIS AGREEMENT, UNDER NEGOTIATION FOR MORE THAN YEAR, HAD BEEN GATHERING DUST IN FONMIN FOR MONTHS. NOTE WAS PRESENTED TO AMBASSADOR ON SEPTEMBER 10 (LIMA 7528).

D. AS DEPARTMENT IS AWARE, MARCONA REPRESENTATIVES HAVE ALSO ARRANGED FOR A MEETING WITH PRESIDENT MORALES BERMUDEZ LATE THIS WEEK, AND EMBASSY CAN ONLY CONCLUDE THIS IS EXCELLENT SIGN THAT GOP IS SEARCHING FOR SOLUTION TO THIS PRICKLY NEGOTIATION AS WELL. MORALES BERMUDEZ TOLD AMBASSADOR ON SEPT 4, ON OCCASION OF LOCAL AMBASSADORS' CALL ON THE NEW PRESIDENT, THAT GOP WOULD WORK TO RESOLVE THIS DISPUTE (LIMA 7322).

E. WHILE OF FAR LESS IMPORTANCE, MORALES BERMUDEZ ALSO ASSURED CHIEFS OF DIPLOMATIC MISSIONS SEPT 4 THAT CUSTOMS LIBERATIONS AND OTHER SUCH PROBLEMS EMBASSIES WERE HAVING WOULD BE RESOLVED; FOREIGN MINISTRY SUBSEQUENTLY GAVE EMBASSY CLEARANCE FOR FREE ENTRY OF FOUR OFFICIAL VEHICLES (ONLY THREE WORKING DAYS AFTER LIBERATIONS WERE APPLIED FOR, CONTRASTED WITH SEVERAL WEEKS OF MONTHS PREVIOUSLY REQUIRED CONFIDENTIAL

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FOR SUCH LIBERATIONS).

2. EMBASSY HAS REPORTED SEPARATELY ON SERIES OF MEASURES ADOPTED BY NEW REGIME TO LESSEN PREVIOUS REPRESSIVE MEASURES IMPOSED BY VELASCO REGIME. WHILE THESE MEASURES DO NOT DIRECTLY AFFECT U.S. INTERESTS, IT IS NEVERTHELESS ENCOURAGING FROM OUR VANTAGE POINT TO SEE LESSENING OF REPRESSION TAKE EFFECT, E.G. AMNESTY FOR EXILED PERUVIANS, PERMISSION TO REOPEN "CONSTRUC-

TIVELY CRITICAL" INDEPENDENT MAGAZINES, AND AN INCREASE IN CIVILIAN PARTICIPATION IN THE REGIME. IT IS ALSO ENCOURAGING, IN TERMS OF CONSOLIDATION OF ITS OWN POSITION, TO SEE THAT THE MORALES BERMUDEZ REGIME HAS MADE CONCILIATORY EFFORTS TO GAIN SUPPORT OF NAVY AND POLICE, AS WELL AS CIVILIAN POLITICAL LEADERS AND PARTIES. THE ONE SOUR NOTE IS THAT THE REDUCED GOP RESTRICTIONS ON THE PRESS HAVE ALSO ALLOWED SOME OF THE LEFTIST JOURNALISTS TO RESUME THEIR FORMER SHRILL AND STRIDENT CRITICISM OF "IMPERIALISM", THE U.S. AND ALL ITS ACTIONS, AND U.S. TRANSNATIONAL COMPANIES. EMBASSY CONCLUDES THAT WE MUST BE PHILOSOPHICAL ABOUT SUCH CRITICISMS, HOWEVER, AS THEY COME ABOUT IN THE CONTEXT OF AN INCREASING FREEDOM OF THE PRESS, AND PRESUMABLY INCREASING ACCESS OF U.S. POINT OF VIEW.

3. COMMENT: JUST AS FONMIN DE LA FLOR IMPLIED TO ASSISTANT SECRETARY ROGERS ON SEPTEMBER 6 (STATE 214275), MORALES BERMUDEZ REGIME HAS DONE JUST ABOUT ALL IT COULD DO TO SIGNAL ITS INTENTIONS TO IMPROVE RELATIONS WITH USG. PARTICULARLY AS AND WHEN MARCONA DISPUTE IS WORKED OUT, MORALES BERMUDEZ AND HIS SENIOR ADVISORS WILL NO DOUBT BE WATCHING FOR OUR OWN SIGNALS IN RESPONSE. EMBASSY BELIEVES THAT IN USG DECISIONS IN COMING WEEKS AND MONTHS WE SHOULD BE EXCEEDINGLY CAREFUL TO CONVEY MESSAGE THAT WE APPRECIATE THESE FAVORABLE MOVES ON MORALES BERMUDEZ' PART AND WE ARE PREPARED TO RESPOND IN KIND. THIS LEAD TO TWO ESSENTIAL RECOMMENDATIONS: (1) WHILE MARCONA DISCUSSIONS CONTINUE IN FAVORABLE VEIN, WE SHOULD TAKE NO PUNITIVE ACTIONS AGAINST GOP, ALTHOUGH WE MIGHT WELL POSTPONE PENDING DECISIONS FOR YET AWHILE; AND (2) ASSUMING A SUCCESSFUL CONCLUSION TO MARCONA NEGOTIATIONS, WE SHOULD BE READY TO TAKE ACTIONS IN SUPPORT OF THIS REGIME, AND ENCOURAGE A FAVORABLE RESPONSE ON PART OF U.S. BANKS AND OTHER TRANSNATIONALS. A CAVEAT IS OF COURSE IN ORDER, NAMELY THAT WE SHOULD ASSESS ALL OTHER FUTURE DECISIONS BY GOP TO BE SURE

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THAT PRESENT FAVORABLE TREND IS NOT INTERRUPTED OR REVERSED IN DIRECTION (E.G., RADICAL GENERALS WHO CONTINUE TO SERVE IN KEY POLICY POSITIONS MAY BE EXPECTED TO OPPOSE RAPPROCHEMENT WITH THE U.S. AS THE REGIME'S "NON-CAPITALIST, NON-COMMUNIST" STRUCTURAL REFORMS ARE CARRIED OUT). CONSEQUENTLY, WASHINGTON AGENCIES MIGHT USEFULLY REVIEW PENDING OPERATIONAL DECISIONS ON A PRIORITY BASIS TO SEE WHETHER AND WHEN FAVORABLE ACTIONS CAN BE TAKEN ONCE MARCONA PROBLEM IS RESOLVED OR CLEARLY ON ACCEPTABLE COURSE FOR RESOLUTION. THESE OPERATING DECISIONS INCLUDE BUT ARE NOT LIMITED TO USAID AND EXIM LOAN OPERATIONS, STATE AND DEFENSE FOR FMS SALES, AND PENDING DECISIONS BY INTERNATIONAL FINANCE AGENCIES. SIMILARLY, WE SHOULD BE PREPARED TO RESPOND IN FAVORABLE TERMS (OBVIOUSLY APART FROM THE TECHNICAL MATTERS INVOLVED) TO QUESTIONS FROM THE U.S. PRIVATE SECTOR AND INTERNATIONAL AGENCIES WHEN ASKED FOR USG

VIEWS ON LENDING AND OTHER ASSISTANCE TO MORALES BERMUDEZ
REGIME. IN SUM, THE CHANGE IN ATTITUDE TOWARD THE USG FROM
THE VELASCO REGIME TO THE PRESENT ONE HAS BEEN ABRUPT AND
FAVORABLE; WE SHOULD BE PREPARED, ALWAYS CONDITIONED ON A SUC-
CESSFUL OUTCOME TO MARCONA DISCUSSIONS, TO RECIPROCATATE IN KIND.
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